

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 09865 072001Z

73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 L-03 PA-01 PRS-01

USIE-00 SS-15 NSC-05 SSO-00 NSCE-00 INRE-00 EURE-00

/080 W

----- 105434

O R 071835Z OCT 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 2061

INFO ALL EC CAPITALS 2575

LIMITED OFFICIAL USE EC BRUSSELS 09865

PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS : EAGR, EEC

SUBJECT: EC DAIRY REFORM PACKAGE, PROPOSED TAX ON FATS AND OILS

REF: (A) EC BRUSSELS 6746, (B) EC BRUSSELS 6745

1. SUMMARY : LARDINOIS TODAY PRESENTED FURTHER DETAILS OF THE COMMISSION'S DAIRY REFORM PACKAGE IN PREPARATION FOR THE OCTOBER 25-26 MINAGCOUNCIL METING. FOR 1977/78, HE PROPOSED A CORESPONSIBILITY TAX OF 2.5 PERCENT N MILK. HE SAID THAT THE PROPOSED TAX ON FATS AND OILS WOULD RAISE THE RETAIL PRICE OF MARGARINE BY ABOUT 2.5 PERCENT. WIJNMAALEN TOLD US IN A PRIVATE CONVERSATION THAT THIS ESTIMATE IS BASED ON A TAX ON VEGETABLE AND MARINE OILS OF ABOUT 10 PERCENT. OTHE MEASURES DISCUSSED INCLUDE DISTRIBUTION OF MILK TO SCHOOLS AT REDUCED PRICES SUSPENSION OF AIDS FOR INESTMENT IN THE DAIRY INDUSTRY, AND SUBSIDIES FOR THE SLAUGHTERING OF DISEASED CATTLE. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 09865 072001Z

2. AT A NOON PRESS CONFERENCE TODAY, COMMISSIONER LARDINOIS ANNOUNCED FURTHER DETAILS OF THE COMMISSION'S DAIRY PACKAGE (THE BROAD LINES OF WHICH WERE PRESENTED IN JULY --REFTELS) IN PREPARATION FOR THE DISCUSSION OF THIS PACKAGE AT THE OCTOBER 25-26 MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS. THE PROPOSED MEASURES DISCUSSED BY LARDINOIS INCLUDE THE CORESPONSIBILITY TAX, THE TAX ON FATS AND OILS, NATIONAL PROGRAMS FOR THE DISTRIBUTION OF MILK TO SCHOOL CHILDREN, SUSPENSION OF INVESTMENT AIDS IN THE DAIRY SECTOR, AND SUBSIDIES FOR THE SLAUGHTERING OF CATTLE AFFLICTED BY CERTAIN DISEASES.

3. CORESPONSIBILITY TAX. THE COMMISSION PROPOSES THAT A CORESPONSIBILITY TAX RANGING FROM 2 TO 4 PERCENT OF THE TARGET PRICE FOR MILK BE APPLIED FOR THE NEXT 3 DAIRY MARKETING YEARS. FOR THE 1977/78 YEAR, A TAX OF 2.5 PERCENT IS PROPOSED. THE TAX WILL BE COLLECTED ON ALL MILK DELIVERED TO DAIRIES (EXCEPT IN MOUNTAIN REGIONS). THE REVENUE ACCRUING FROM THIS TAX IS TO BE USED TO FINANCE MEASURES AIMED AT EXPANDING DOMESTIC AND WORLD MARKETS FOR EC DAIRY PRODUCTS--FOR EXAMPLE, SUBSIDIES FOR THE FEEDING OF LIQUID SKIM MILK, SALE OF MILK TO SCHOOLS AT REDUCED PRICES, LONG-TERM EXPORT CONTRACTS AND FOOD AID, ETC.

4. FATS AND OILS TAX. TO REDUCE THE IMBALANCE " IN COMPETITION BETWEEN DIFFERENT FATS," THE COMMISSION PROPOSES THE IMPOSITION OF A TAX ON ALL VEGETABLE OR MARINE FATS AND OILS EXCLUDING OLIVE OIL, CASTOR OIL, AND OTHER OILS DESTINED FOR TECHNICAL OR INDUSTRIAL USE. AT THE PRESS CONFERENCE, LARDINOIS INDICATED THAT THE EFFECT OF THE TAX WOULD BE TO RAISE THE EC RETAIL PRICE ON MARGARINE BY ABOUT 2.5 PERCENT. WIJNMAALEN TOLD US THAT THIS ESTIMATE IS BASED ON A 10 PERCENT TAX ON BASIC FATS AND OILS. WE OBTAINED FROM HIM, ON A CONFIDENTIAL BASIS, A COMMISSION WORKING DOCUMENT WHICH IS, IN FACT, A DRAFT REGULATION ESTABLISHING A TAX ON FATS AND OILS. THIS DRAFT STATES THAT THE TAX SHOULD CORRESPOND TO THE INCIDENCE OF THE CORESPONSIBILITY TAX ON " THE VALUE OF THE BUTTER FAT CONTAINED IN THE QUANTITY OF MILK NECESSARY TO PRODUCE 100 KG. OF BUTTER." IN OTHER WORDS, THE COMMISSION WOULD ASSUME THAT THE CORESPONSIBILITY TAX FALLS ENTIRELY ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 09865 072001Z

THE BUTTER FAT CONTENT OF THE MILK AND WOULD FIX AN EQUIVALENT ON VEGETABLE AND MARINE FATS AND OILS. THE DRAFT REGULATION FURTHER STATES THAT THE TAX WILL BE APPLIED FROM APRIL 1, 1977 TO MARCH 31, 1980. IT WILL BE APPLIED ON BOTH IMPORTED AND DOMESTICALLY PRODUCED PRODUCTS FALLING UNDER CXT 15.04 (MARINE AND FISH OIL) AND 15.07D (FIXED VEGETABLE OILS OTHER THAN OLIVE OR CASTOR 98)) AS WELL AS A LARGE NUMBER OF PRODUCTS CONTAINING OR FABRICATED FROM SUCH OILS. TO ENFORCE THE

REGULATION, ALL DOMESTICALLY PRODUCED OILS WOULD BE PLACED UNDER "CUSTOMS CONTROL." AT THE AMOUNT OF THE TAX IS TO BE FIXED EITHER ON THE BASIS OF THE FAT OR OIL CONTENT OF THE RAW MATERIALS OR, IN THE CASE OF MANUFACTURED PRODUCTS, ON THE BASIS OF THE QUANTITY OF FATS AND OILS CONTAINED IN THE PRODUCT. STANDARD RATES ARE TO BE USED. THE AMOUNT OF THE TAX IS TO BE FIXED ANNUALLY AT THE SAME TIME AS THE CORRESPONDING SIBILITY LEVY, BUT IT MAY BE ALTERED DURING THE YEAR. PROVISION IS ALSO MADE FOR THE APPLICATION OF THE TAX ON PRODUCTS IN STOCK AS OF APRIL 1, 1977 WHERE STOCK LEVELS EXCEED A CERTAIN MINIMUM TO BE DETERMINED. THE OFFICIAL PRESS RELEASE STATES THAT REVENUE FROM THE TAX CAN BE USED TO FINANCE DEVELOPMENT PROJECTS AND FOOD AID FOR DEVELOPING COUNTRIES.

5. OTHER MEASURES . THE COMMISSION PROPOSES THAT THE EC PAY A SUBSIDY OF 50 PERCENT OF THE MILK TARGET PRICE ON MILK SALES TO SCHOOL CHILDREN PROVIDED THAT MEMBER STATES CONTRIBUTE AN ADDITIONAL 25 PERCENT. THEY ALSO PROPOSE SUSPENSION OF ALL NATIONAL AND COMMUNITY AIDS FOR INVESTMENTS CONCERNING PRODUCTION, PROCESSING OR COMMERCIALIZATION OF MILK FOR 3 YEARS. CERTAIN AIDS FOR FARM MODERNIZATION AS WELL AS AIDS PAID TO FARMERS IN MOUNTAINOUS OR DISFAVORED REGIONS, OR FOR RESEARCH AIMED AT THE DEVELOPMENT OF NEW PRODUCTS WOULD BE EXEMPTED FROM THIS SUSPENSION. FINALLY, THE COMMISSION PROPOSES AN EC SUBSIDY FOR THE SLAUGHTERING OF CATTLE AFFLICTED BY TUBERCULOSIS, LEUCOSIS, AND BRUCELLOSIS. A SUBSIDY OF 60 U.A. FOR COWS AND 30 U.A. FOR OTHER CATTLE IS PROPOSED. THE COMMISSION ESTIMATES THAT THIS PROGRAM COULD RESULT IN THE SLAUGHTER OF 2.5 MILLION CATTLE OVER A 3 -YEAR PERIOD AT A COST OF 130 MILLION U.A. HINTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DAIRY PRODUCTS, REGIONAL ORGANIZATIONS, TAXES, AMENDMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU09865
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760379-0092
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761074/aaaacrlj.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 6746, 76 EC BRUSSELS 6745
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2004 by ElyME>; APPROVED <02 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC DAIRY REFORM PACKAGE, PROPOSED TAX ON FATS AND OILS
TAGS: EAGR, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006